98th Congress
1st Session } COMMITTEE PRINT S. PRT. 98–90

UNITED STATES–LATIN AMERICA–CARIBBEAN POLICY

A REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

SEPTEMBER 1983

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE
24-082 O WASHINGTON: 1983

5382-25

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LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., August 2, 1983.

Hon. CHARLES H. PERCY,
Chairman, Foreign Relations Committee, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: In mid January we spent almost 2 weeks visiting a number of key countries in the Latin American and Caribbean region, with primary stops in Mexico, Peru and Brazil. Additionally, there were briefer stops in El Salvador, Panama, Venezuela and Barbados. It should be noted that Senator Glenn had a previous commitment which necessitated his return to the United States while Senator Dodd visited El Salvador and very briefly, Panama. Likewise, Senator Dodd was required to return to the United States at an earlier date and thus did not accompany Senator Glenn to Venezuela and Barbados. In the main, the trip afforded us the opportunity to meet many of the major political leaders throughout the region and to discuss, primarily, two issues of special interest to the United States and our hemispheric neighbors: the severe international financial situation and the continuing unrest and turmoil in Central America.

The report that follows contains the principal highlights of the trip, summarizes our discussions with respect to international financial problems and Central America, and offers our impressions and findings. If nothing else, we hope our report serves to generate greater interest in United States-Latin American policy issues and to encourage other members of the Committee and the Senate to make their own first-hand assessment of developments within the region.

Prior to our trip we had lengthy briefings from regional specialists in both the Department of State and the Central Intelligence Agency, and we want to gratefully acknowledge the fine work of these professionals in helping us prepare for the trip. Without exception we were ably assisted by the American Ambassadors in each nation and their excellent staffs. Those who helped to insure that our trip was productive and successful are too numerous to mention, so let us simply take this opportunity to thank and commend them all. Particular thanks go to Curtis Cutter, a consultant to the Foreign Relations Committee; Robert Dockery of Senator Dodd's staff; Carl Ford, Foreign Relations Committee staff; and Pat Buckheit of Senator Glenn's staff, who contributed greatly in the preparation of this report.

Best regards.

Sincerely,

JOHN GLENN,
U.S. Senator.
CHRISTOPHER J. DODD,
U.S. Senator.

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INTRODUCTION

We believe that by learning more about the forces that shape our world today, we can help reduce the strains on the world tomorrow. It was in that spirit that we visited either jointly or individually all of the following countries: Mexico, El Salvador, Panama, Peru, Brazil, Venezuela, and Barbados.

There are several reasons for a trip to the Latin American-Caribbean region. First, as members of the Senate Foreign Relations Committee, it is important to acquire firsthand knowledge of the world's major regions and to gain an understanding of their problems and hopes for the future. Second, we believe it is important that American policymakers learn the views of our southern neighbors on the continuing conflict in Central America. Closer consultation with them is absolutely crucial if we are to resolve current problems and defuse future conflicts before they erupt into regional violence. Third, in today's interdependent world, the health of the American economy largely depends on foreign developments and overseas markets. Today, one out of every six American jobs depends on foreign trade. More than 20 percent of our entire industrial output is sold abroad and 40 percent of our farmland produces for the export market. Between 1977 and 1980, 79 percent of all new manufacturing jobs in the country were related to exports. A growing percentage of those exports went to developing nations like those in Latin America. Fourth, this economic interdependency requires greater understanding of the international financial crisis, which is centered in Latin America. In 1973, the debt of less developed countries totalled $100 billion. By the end of 1982, it stood at $500 billion. Three Latin American countries—Mexico, Brazil, and Argentina—account for 40 percent of the debt, and each of them has recently experienced a serious liquidity crisis. Since 1,500 American banks have outstanding loans in Latin America, the resolution of the debt problem is of profound importance.

ITINERARY

Mexico

This trip began in Mexico, where we arrived the night of January 10. The following morning, we breakfasted with Ambassador Gavin and his staff who briefed us on the Mexican political and economic situations. We then called on Antonio Carrillo Flores, a distinguished Mexican statesman, former Foreign Minister (1964–1970), and former Ambassador to the United States (1958–1964). The discussion was wide-ranging and covered the two most important issues on our agenda: the economic/debt situation and Central America. On both issues, Ambassador Carrillo was able to discuss these issues from his background of long government service and thus provide a unique and interesting perspective. Next, we called upon the Colegio de Mexico where we again discussed economic and foreign policy issues with the Counselor to the President, Lic. Omar Martinez Legoretta, as well as members of the Colegio staff who specialize in economics and in U.S. studies. We had lunch with Mexican Foreign Minister Sepulveda. During the luncheon, we talked extensively about Central America; El Salvador, Nicaragua, and Cuba. We had an opportunity to explore at length with the Foreign Minister differences between the Mexican and United States views on, particularly, Nicaragua and Cuba. Later, we called on President de la Madrid where again Central American issues were a major topic of discussion. Mexico's current debt crisis and the new President's program for recovery were also of great interest.

The next day, we called on Fidel Velazquez, Secretary General of the Confederation of Mexican Workers, and the discussion centered on economic issues, principally the IMF agreement recently worked out with the de la Madrid government. As head of Mexico's most powerful labor organization, Mr. Velazquez will figure prominently in the success or failure of the government's austerity program. The CTM is currently supportive of the government's program for economic recovery but should be expected to object strenuously if the austerity falls too heavily on its working class membership. We next had lunch with Carlos Fuentes, the famed Mexican novelist. The discussion ranged from foreign policy concerns to economic conditions to the Mexican historical and cultural heritage so little understood by North Americans. In the late afternoon, we visited the Center for Economic and Social Studies of the Third World and its Director, former President Echeverria. In discussing Mexico's current economic difficulties, the former President expressed in some detail his vision of an economy less dependent on outside resources, with an industrial base more labor- than capital-intensive. The former President also expressed a great interest in the ratification of the proposed United States-Mexican Maritime Boundary Treaty.

Our final day in Mexico City, we called first on renowned Mexican philosopher, intellectual, and poet, Octavio Paz. We attended a luncheon hosted by the President of the Mexican Senate and attended by several Senators, members of their Foreign Relations Committee. In the late afternoon, the party met with Finance Minister Jesus Silva Herzog. As might be expected, the lengthy meeting focused exclusively on economics. The Minister described the Mexico prescription for economic recovery, realistically acknowledging that the austerity required would adversely affect the Mexican people's standard of living but optimistically predicting recovery within 2 or 3 years.

El Salvador

Senator Dodd, accompanied by staff, arrived Friday, mid-morning, in San Salvador. Ambassador Deane Hinton and other Embassy personnel met us at the airport and escorted us to our first round of meetings, this one scheduled with leaders of the Salvadoran military and security forces, including National Guard Chief General Vides Casanova; Defense Minister General Garcia; Treasury Police Chief Colonel Moran; and National Police Commander Colonel Lopez Nuila.

This series of meetings and the ensuing discussions afforded us an opportunity to plunge right into some of the most troublesome issues in United States-Salvadoran relations. We raised a number of questions about human rights abuses; about the role of the armed forces and security personnel in committing such abuses; about the investigation and prosecution of those responsible for the murder of the American churchwomen, the American labor advisers and the other American citizens who have been killed in El Salvador.

We also asked about the course of the war; about the guerrillas' offer to begin unconditional negotiations; about the so-called Ochoa-rebellion; and about the perceived divisions within the armed forces. Additionally, we inquired about levels of U.S. military and economic assistance; about the certification requirement attached to this assistance; about the status of the agrarian reform program; and about ways and means of promoting democratic values and institutions.

During our 2-day stay in El Salvador, we discussed and re-discussed these and related issues with a variety of Salvadoran officials, politicians, businessmen, trade unionists and campesinos. We talked to President Magana and to former President Duarte. We talked to ARENA spokesmen and we talked to their political opponents. We talked to American Embassy personnel and we talked to representatives of the American press. In short, we talked to as many people offering as many different points of view as we possibly could in the brief time that we were there.

These are the salient points that emerged from our conversations and discussions:

—There is no end in sight to the Salvadoran conflict. At best a stalemate exists between the armed forces and the insurgents. The strength of the rebel forces is as much a reflection of the weaknesses and divisions within the armed forces as it is of the insurgents' military capabilities.

—The overall political situation continues to deteriorate, despite the impressive voter turnout for the March 1982 election. The Gover-

ment of El Salvador continues to be marked by internal squabbling, ideological discord, and petty jealousies. If nothing else, this should remind us that an election is part of a process and that any election is only as good as what comes after it. For the people of El Salvador, the benefits from the March election have been few and far between.

—The human rights picture, for all practical purposes, remains bleak. The judiciary functions in name only. The death squads continue to operate at will. And the prospects for justice in the cases of the Americans slain in El Salvador grow slimmer with each passing day. All of these serve as grim reminder that some 30,000 Salvadoran noncombatants have been murdered since 1979 and that there have been fewer than 200 convictions.

—The agrarian reform program is at a standstill due to the effective and persistent opposition of the vested economic interests. Phase I of the program, involving the largest estates which have been turned into cooperatives, is severely constrained by the lack of credit, technical assistance, and other essential inputs. Phase II of the program, involving medium-size farm lands, has yet to be implemented. And Phase III of the program, involving very small parcels and the so-called land-to-the-tiller project, staggers along with the beneficiaries facing continuous bureaucratic delays and the ever-present threat of eviction.

All in all, then, the future of El Salvador looks no more promising than the past. And regrettably U.S. policy must share a significant portion of the blame for this dreary, if not dismal, assessment. The reason for this is the Administration's deep-seated belief that a military solution to the Salvadoran conflict is both desirable and feasible. Such belief is bound to produce more violence, more bloodshed, and a deeper American involvement.

This policy neither serves the interests of the United States nor the interests of El Salvador. These interests can be served, however, by supporting—in word and deed—a negotiated, political settlement to the conflict. Accordingly, U.S. policy should be dedicated to helping the opposing political and military forces in El Salvador achieve such a settlement. This is the course being pursued by Mexico, Venezuela and a number of other important allies. The United States should do the same.

Peru

Our visit to Peru began with a briefing by the Ambassador and his staff. We were particularly interested in the Embassy assessment of the nature of the guerrilla activity in the region around Ayacucho, the relations between the Peruvian armed forces and the Soviet Union, as well as Peruvian economic and political conditions. The delegation then called on the Peruvian Senate including the leadership, and the Interparliamentary and Foreign Affairs Committees. The afternoon was spent with President Belaunde, providing an opportunity to discuss a wide range of issues of interest to both the Americans and Peruvians. The President was particularly concerned about guerrilla activity; he seems convinced of outside involvement (although according to our Embassy staff there is no hard evidence to support such a charge). We also discussed at length the economic/debt problems currently afflicting so many of our friends in the region. Late in the evening, the

U.S. party called on renowned Peruvian author Mario Vargas Llosa. The conversation included discussions of both United States and Peruvian economic policy and the future of democracy in Peru.

The next day, the delegation breakfasted with members of the American Chamber of Commerce in Lima discussing the economic and investment climate in Peru. Next, the delegation went on a tour of Lima's squatter communities, "pueblos jovenes." Our guide was Dr. Alfredo Brazzoduro, who is active in the establishment of maternal and child health care centers in these communities. As much as half of Lima's estimated population of 5 million live in these squatter communities. The poverty endemic in the "pueblos jovenes" is a serious social, economic, and political problem. Prior to departure, the Senatorial delegation had lunch at the Ambassador's residence with several noted Peruvian journalists.

Brazil

In Sao Paulo, the delegation had lunch at the Consul General's residence with several prominent Pauloistas, particularly members of the political opposition. Brazil's political future and formula for handling its current large debt and liquidity problems were the main topics of conversation. The Senators then met with representatives of the American Chamber of Commerce in Sao Paulo. While somewhat uneasy about the anticipated effects of the IMF-imposed austerity measures, the businessmen seemed generally satisfied with the business and investment environment.

In Brasilia, the delegation started at the Embassy with a general country briefing and a specific session on nuclear issues. Next, a call was made on Foreign Minister Guerreiro. The discussion concerned U.S. arms sales policies in Latin America, to which the Brazilians had no objections; Central America, where Brazil looks to Mexico and Venezuela to take the lead; and the Falklands, where Brazil has urged Argentina to pursue a peaceful resolution. Next, the delegation called on the majority leader of the Brazilian Senate, Nilo Coelho, and toured the Senate chamber. As Senator Coelho was the Chairman of the Human Rights Committee, an extensive discussion of the human rights situation in Brazil followed. The afternoon started with a call on the President of the Central Bank, Carlos Geraldo Langoni, who described in some detail the Brazilian economic recovery formula and discussed the adequacy of the current international financial system for dealing with nations experiencing liquidity problems. Next, the delegation met with Dr. Joao Leitao De Abreu, the Minister Chief of the Civil Household, a major domestic policymaking position. Dr. De Abreu discussed optimistically the future of "aperatura"—the political liberalization process. In addition, he addressed the need for a cooperative developed-world policy to resolve the current worldwide economic recession. During a brief stop in Rio de Janeiro, the delegation attended a dinner hosted by Dr. Israel Klabin, former mayor of Rio de Janiero. The former Minister of Development, Roberto Campos, was also present and a lengthy discussion of Brazil's economic situation ensued.

Venezuela

The visit began with breakfast at the Ambassador's residence with former President Carlos Andres Perez. President Perez discussed at length United States-Central American policy and urged negotiations as a resolution with respect to both El Salvador and Nicaragua. Next, Senator Glenn, now joined by the delegation comprised of Congressmen Solarz and Leach, called on Accion Democratica Presidential candidate Dr. Jaime Lusinchi. The conversation covered both Venezuela's economic situation, given falling oil prices, and El Salvador. Next, the delegation went to the Foreign Ministry. The Minister, Dr. Jose Alberto Zambrano, tied economic issues and foreign policy together in discussing Venezuela's role in Caribbean regional stability and development through the oil facility with Mexico. The discussions also covered recent developments in Suriname and El Salvador. Senator Glenn then attended a luncheon and briefing at Petroleos de Venezuela, the national oil company. PDVSA officials presented an overview of the Venezulean petroleum industry and future projections. After lunch, the delegation called on President Campins. With the President, the delegation had a lengthy and wide-ranging discussion covering regional debt problems, El Salvador, Suriname and Cuba. After leaving the Presidential Residence, the delegation went to COPEI party headquarters to meet with their Presidential candidate, former President Raphael Caldera. Again, the discussion covered the range of issues, both foreign policy and domestic economic.

Barbados

On a brief stop in Barbados, Senator Glenn hosted a luncheon for Prime Minister Thomas Adams and two members of his Cabinet. The luncheon discussion was most interesting. The Prime Minister described with concern the recent events in Suriname. While acknowledging that Grenada bears watching, he maintained that Cuban influence in the Eastern Caribbean region was on the wane. He discussed the aftermath of the Falklands/Malvinas crisis, noting that anti-U.S. sentiment had rapidly evaporated. He made a special plea for continued U.S. participation in the Caribbean Development Bank. which helps meet the development needs of the small nations of the Eastern Caribbean through appropriately sized loans. He also made the case for the continuation of U.S. development assistance for Barbados.

ECONOMIC ISSUES

Introduction

The external debt burden of the developing world is an increasingly serious problem for the world economy. Total Third World debt is now estimated to be $630 billion. The debt originally began to accumulate as a result of the 1973–74 oil price increases. The debt service problem has been compounded by high interest rates and the worldwide recession, leading to decreased prices for Third World exports including most recently petroleum.

Approximately one-third of the total developing-nation debt is held by nations of the Western Hemisphere. The Mexican liquidity crisis of late 1982 served to focus attention on the critical nature of the problem. All the nations visited have significant debt burdens, most notably Mexico and Brazil with approximately $80 billion each. Thus the debt burden was primary focus of discussions in all the nations visited. The internal domestic program for handling the debt burden, and attendant possibilities for social and political instability; the adequacy of current international institutional mechanisms to handle the combined difficulties of the several countries; and the role of the United States were the primary subtopics explored.

Mexico

Mexico understands the seriousness of its current debt situation. Its leadership is optimistic that it can be resolved, in fact, Finance Minister Silva Herzog estimated that it would take only 2 to 3 years to work out the short-term problem. It is understood that the current difficulties are, in large part, of Mexico's own making. Assuming that it would continue to enjoy large oil revenues, Mexico borrowed heavily against the future to finance a wide range of development programs.

In the postwar period, Mexico has enjoyed sustained economic growth, culminating in recent years with annual growth rates of 8 percent. Now it understands that it will have to accept less rapid growth, be more selective in its development program, export more and import less. substitute domestically produced products for imports, and develop the non-oil export sector, which it has basically ignored for the last 4 years.

Mexico maintains that the IMF program must be flexible in order to insure that the required austerity does not bring about unmanageable social and political unrest. Not surprisingly, Mexico is very concerned about political and economic stability. On the role of the international financial agencies, Minister Silva Herzog believes that given enough funds and enough authority, the IMF is up to the task. In conversa-

tion, he notes with obvious approval that the Mexican case was the first time that the IMF had worked with both the government and the banks to develop an overall stabilization package. He suggests that the world needs to develop a better system to foresee these difficulties and provide better analysis.

On the role of the United States, Mexico gratefully acknowledges the role the United States played in helping its southern neighbor resolve its immediate liquidity problems at the end of last year. It also is cognizant of the importance of a U.S. economic recovery and of the potential, which Mexico has not sufficiently explored, of the U.S. market for increasing Mexican exports.

While the need to increase non-oil exports was generally acknowledged, Mexico seems to lack specific programs at this stage for the development of the non-oil export sector, either products or markets. The growing trend toward protectionism and the low demand due to the continuing worldwide recession were acknowledged by Mexican leaders to be difficulties facing their attempts to increase significantly the level of non-traditional exports.

The ability of President de la Madrid to implement the austerity program is still an open question. An important component of the coalition of the PRI is the Confederation of Mexican Workers, the official unions. They are currently supportive of the government's economic program in general. However, as the austerity falls more heavily on their membership in terms of falling wages and rising prices, there is a danger that the indepedent unions will attempt to capitalize on worker discontent to expand their membership and influence outside of the PRI coalition.

Peru

Peru has the smallest external debt burden—currently $11.3 billion—of all the countries we visited. However, the continuing worldwide recession and the low demand and price for Peru's primary exports, metals, fish and agricultural products, will challenge Peru's ability to maintain a modest rate of growth and increase employment opportunities for the vast numbers of unemployed and underemployed. Peru entered into a 3-year agreement with the IMF in June 1982; compliance has been and will continue to be difficult.

Peru returned to democratic rule in 1980, after 12 years of military control, just as world markets for its traditional exports began to shrink. The liberal economic philosophy of the Belaunde Administration has had to be curtailed given shrinking government resources. Markets for Peruvian exports remain depressed and international credit market concerns about the debt burden of all developing nations in the Western Hemisphere will challenge the Peruvian Government's ability to maintain a modest rate of growth and sustain popular liberal programs. The Peruvian economic program will be constrained both by the international factors and by the popular support factors. The Belaunde government is a populist regime elected in large part due to its promises to "build Peru." It appears that Peru faces an extended period of constrained growth which could engender social and political instability and challenge the viability of the democratic experiment and civilian control.

Brazil

Brazil has one of the highest external debts of all the LDCs. By the end of 1982, they owed about $80 billion and faced a severe liquidity crunch. However, the overall composition of their total debt is more heavily medium and long term, as opposed to Mexico's reliance on short-term loans. Brazil has enjoyed a phenomenal rate of growth over the past three decades and has borrowed heavily to finance development of its industrial base and to cover the increasing cost of its oil imports.

Brazil began an austerity program in late 1980. It has now concluded an agreement with the IMF to draw a maximum of funds permitted under IMF rules. This agreement mandates an austerity program, complementing and supplementing that already underway, which will require the Brazilian economy to increase exports by 10 percent, cut imports by $3–4 billion, and reduce the budget deficit from 6 percent to 2.5 percent of GDP.

A political liberalization process led to elections in November 1982. The government party, the PDS, lost its majority in the Chamber of Deputies, the lower house of the federal Congress, while increasing its majority in the Senate. In state elections, the opposition won 10 of 23 governorships. However, the government party did retain control of the electoral college which will select a new President in 1985; this was considered extremely important by the officials with whom we spoke. In part, the PDS losses were due to a perceived weariness with the military-backed government but also undoubtedly derived from the painful domestic consequences of the government's economic stabilization plan. There are few indications that the government will change its austerity commitment in light of the election results. Rather it seems that President Figueiredo, given that the elections are behind him and his party has a majority assured in the electoral college, will enjoy considerable political running room on the economic issues for at least the next year or two. The election process has helped insure the political stability that will be necessary to weather the financial crisis.

The Brazilian prescription for dealing with its financial problems involves reducing imports, cutting back on the size and weight of the public sector, learning to live with a smaller dependence on external resources, both materials and money, and increasing exports.

With respect to the adequacy of the international financial institutions, there seems to be general dissatisfaction with the current arrangement. As Brazil sees it, the IMF does not have the resources to handle the needs of the several countries who are currently experiencing difficulties. Moreover, from the Brazilian perspective, there needs to be a method for orderly rescheduling as opposed to the current disorderly negotiations with individual banks, and there needs to be more short-term emergency resources for nations faced with acute liquidity problems. The IMF quota increase will help but is not considered to be the whole answer. It will, however, provide time to think about alternatives.

On the role of the United States, the Brazilians acknowledged that U.S. economic recovery is important to worldwide recovery and to their

own prospects for increasing exports. All political sectors frankly admitted that they want the United States to maintain open markets while accepting that they will have to constrain imports.

VENEZUELA

Venezuela, like Mexico, is an oil producer that has borrowed heavily based on assumptions of long-term oil prices. The Venezuelan debt however is only $29 billion currently and they have a strong reserve position of $15 billion. They began an austerity program in 1979 and have essentially limited their borrowing to rolling over the debt as it comes due. However, the primary question with respect to Venezuela is, can they continue what has basically been a zero growth rate since 1979—in contrast to their growth rates of 7 percent annually in the 1970's—and not create unmanageable political and social difficulties. The Venezuelans seem to be content with continuing to rely on oil as their only major export earner. They have plans for increasing production, primarily through increasing recovery by secondary and tertiary methods, and possibly gaining additional revenues through the sale of additional heavy crude and refined products, consistent with OPEC guidelines. Venezuela's entire economy is dependent on oil to the point where it accounts for one-quarter of the GDP, three-quarters of government revenues, and about 95 percent of export income. The Venezuelans had no plans to develop non-oil exports or even to develop Venezuelan substitutes for imports.

The Venezuelan Government has not yet found it necessary to go to the IMF as they have been implementing their own austerity program since 1979. Representatives of both the government and the opposition party do not think that a devaluation would be in their interests. Rumors of a devaluation have caused a great outflow of currency but at this point they still want to avoid the devaluation given the serious domestic economic implications. Further decline in oil prices could have very serious implications for Venezuela. The Venezuelans had no specific thoughts on the adequacy of current international financial institutions to deal with the worldwide debt situation. The opposition party seemed to have some differences with the current government over the need to develop non-oil exports and the need to control imports. On the role of the United States, the Venezuelans mentioned that they may have to look to the United States for development assistance, that the United States would have to keep its markets open, and that a U.S. economic recovery would fuel worldwide recovery.

SUMMARY

One must exercise caution in making generalized characterizations of or prescriptions for the Third World economic and debt problems. Even the relatively small sample we visited points up the need to examine each country's individual problems and prospects, avoiding overly simplistic solutions or descriptions. In summary, it appears that the governments in all the countries we visited believe that a U.S. economic recovery and a recovery in fact of all the developed economies is needed to stimulate their own economic recovery and relieve the severe strains attributable to debt servicing. Protectionism is condemned, at least as far as United States and developed country markets are concerned. The IMF has a critical role to play and at minimum its resources should be expanded by the amount currently under discussion, 50 percent. The rise in oil prices, the worldwide recession, and developing countries somewhat imprudent borrowings to finance ambitious development programs, are generally seen as the principal causes of the current situation. Oil price strains to some degree have been alleviated, causing additional problems among countries dependent in large part on oil for their export income. Therefore it seems safe to say that the answer to the Third World debt problem in the long run will be worldwide economic recovery and more prudent borrowing and development policies. In the short term, increased access to external markets, IMF assistance with flexible terms, and continued access to commercial bank lending must be viewed as crucial to the resolution of the immediate crisis.

In addition to economic issues, the other primary reason for the trip was to discuss with the leaders of major Latin American nations the current tensions in Central America. Extensive and substantive discussions on this issue took place at virtually every stop. In the discussions, the U.S. delegation attempted to gain an understanding of the way these leaders perceive the Central American situation and U.S. policy in the region. Also of great interest was the role countries like Mexico and Venezuela are willing and able to play in the search for peaceful solutions to regional conflicts, in the encouragement of the democratic form of government, and in promoting economic development.

Without exception, the leaders with whom we discussed the Central American issue maintained that a military solution will not work in the region. They favored a political resolution of the conflict, self-determination, and an end to outside intervention. Both Venezuela and Mexico, along with Panama and Colombia, participated in a recent Foreign Ministers meeting where they discussed taking the initiative in seeking a negotiated solution to the conflict in El Salvador and to the increasing turmoil along the Honduran/Nicaraguan border. The leaders of both countries expressed the hope that the United States

would not "derail" their efforts before they really got started. Given the geographic proximity and the cultural similarities, these nations believe—and understandably so—that they are better equipped to deal with the problems in the region.

Turning to the issue of Cuba, the regional political leaders with whom we spoke offered these observations: (1) that at some point, Cuba will have to be brought into any discussions or negotiations on Central America; (2) that the Cuban role within the region is of less concern to them than it is to the United States; and (3) that despite the close relationship between Moscow and Havana, it is a mistake to view Cuba as nothing more than a puppet of the Soviet Union.

With respect to Nicaragua, political spokesmen within the region agree that the Sandinista government is not as closely tied to the Soviet-Cuban system as many believe in Washington. They point out, for example, that despite the severe economic problems facing Nicaragua, neither the Soviets nor the Cubans seem interested in providing the levels of economic assistance that are so urgently needed by the Sandinista government. Accordingly, they suggest that it is a serious mistake for the United States to abandon Nicaragua to Marxist forces. Rather they encourage the United States to withdraw support for anti-Sandinista paramilitary groups in Honduras and to pursue negotiations with the Nicaraguan Government in an effort to relax tensions and improve relations. There was a general feeling that support for the members of the former national guard was especially damaging to the U.S. position not only in Central America, but throughout the region.

CONCLUSIONS AND FINDINGS

We learned a great deal from the frank exchanges we had with government leaders, labor leaders, private sector representatives, intellectuals, and writers in the several countries visited.

Perhaps the most striking revelation to come out of our discussions with a broad cross section of officials and opinionmakers is the similarity of their concerns. Of particular concern is the health of the American economy. The same recession that has halted growth here at home has also stymied progress in most of their countries. Their economies are largely export-oriented so that they are deeply worried about the worldwide drift toward protectionism and its adverse impact on their ability to pay their debts and stimulate economic growth.

While the leaders we spoke with readily voice their concern about American economic policy, they also clearly express unanimous criticism of our foreign policy toward Latin America. These leaders do not misunderstand or underestimate Cuban and Soviet activity in the region but they do resent the Administration's record of viewing regional issues solely through an East-West prism. They make it clear that we are losing potential partners in the hemisphere by this narrowmindedness. Because of this, it is their perception that the United States purposefully stands in the way of social and political change. Ironically, the first nation to free itself from colonialism is now viewed by its neighbors as a friend of oppression. This unfortunate legacy is the price we pay for appearing to support the status quo and to oppose change. In the face of popular demand for reforms and social justice, vested Latin American interests often defend themselves by equating progress with communism. While the Soviet/Cuban threat is real and must be met, we should not allow it to serve as an excuse for ignoring tyranny.

Our task in the region is to let change take place without our insisting on managing or manipulating it. We must be ready and willing to help but we must not attempt to impose our own solutions. In the final analysis, the solutions must come from the Latin Americans themselves. While we should renew our support for programs like development assistance and for lending institutions like the World Bank and the Inter-American Development Bank, our policies should contain more than the traditional prescriptions of assistance or intervention. We must continue our efforts to combat hunger, disease, and illiteracy, but without being condescending. We ought to help countries resolve the conflict between their desire for assistance and their determination to avoid dependency. One way we can do that is by devoting more of our time, attention, and resources to those countries making progress toward democracy—progress that often goes unheralded. In Latin America, U.S. policy should be as concerned with helping countries

rise toward freedom as it is with stopping countries from falling into despotism. Both the extreme left and extreme right in Latin America will try to make political reality conform to their perceptions and propaganda. We must help to keep that from happening.

Another thing we must do is to cut through outdated stereotypes of our societies and governments and work to understand one another for what we are. Though Latin American and Caribbean countries share traits and face similar problems, each has a unique national character and it is insensitive as well as inaccurate to lump them together.

At the same time, our Latin American and Caribbean neighbors must comprehend the complexities of our government and our responsibilities as the leader of the free world. Our system of checks and balances sometimes causes us to be agonizingly slow in responding to foreign policy problems. Even more disconcerting to our neighbors are the changes in policy dictated by changing Administrations and shifting political alliances in Congress. We should not be surprised that our neighbors are often confused about what we stand for. When it is hard to define our position, it is easy for detractors and critics to exploit our differences of opinion. Our Executive Branch must build a relationship with Congress that insures political consistency, realizing that if we cannot agree among ourselves, we will not project a credible image abroad.

To identify our common interests and avoid confrontation, we need a sustained effort to improve communication with and among our neighbors. In the past, our dialogue with them has been sporadic and inconsistent. In the future, it must be frequent and coherent.

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